

Message Text

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44

ACTION ARA-20

INFO OCT-01 ISO-00 SS-20 SP-03 IO-14 AID-20 STR-08 EB-11

FRB-03 TRSE-00 OMB-01 XMB-07 CIAE-00 INR-11 NSAE-00

RSC-01 L-03 DRC-01 /124 W
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FM AMEMBASSY SAN SALVADOR

TO USDOC WASHDC

INFO SECSTATE WASHDC 6381

LIMITED OFFICIAL USE SAN SALVADOR 3662

E.O. 11652 - N/A

TAGS: EIND, ES

SUBJ: IDB AND GOES CONCERN FOR ALLEGED US ACTIONS HIKING
PRICES ON SIGNED CONTRACTS

ATTN: PORTER CLARY LAD/OIM/BIC

1. GOES'S PUBLIC WORKS MINISTRY AND IDB'S LOCAL REPRESENTATIVE
HAVE BOTH EXPRESSED CONCERN OVER, AND ASKED US TO LOOK INTO,
ALLEGED SHARP US-ORIGINATED INCREASES OVER PRICES SHOWN ON
CONTRACTS SIGNED IN MAY AND JUNE, COVERED BY IRREVOCABLE
LETTERS OF CREDIT ISSUED BY US COMMERCIAL BANKS AND FINANCED
BY IDB HIGHWAY MAINTENANCE PROGRAM LOAN NUMBER 321-SF-ES.

2. THREE LOCAL DISTRIBUTORS CLAIM THAT COMPANIES INVOLVED
ARE E.D. ENTYRE & CO., BARBER-GREENE AMERICAS, GALLION
AMERICAS DIVISION, CATERPILLAR TRACTOR CO., INTERNATIONAL
HARVESTER EXPORT CO., FORD MOTOR EXPORT CORPORATION, FRUEHAUF
CORPORATION, JOHN DEERE INTERCONTINENTAL, MACK WESTERN HEMIS-
PHERE CORP. THE EQUIPMENT WAS SELECTED BY GOES IN PUBLIC BID
#45-73, DEC 20, 1973, FOR A TOTAL OF \$2,792,503. INCREASES
AMOUNT TO OVER \$300,000, WHICH CANNOT BE FINANCED BY IDB.
ALTERNATIVE IS FOR LOCAL DISTRIBUTORS TO CANCEL CONTRACTS AND
PAY FINES RANGING FROM \$15,000 TO \$20,000, SINCE GOES CANNOT
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AUTHORIZE INCREASES REQUESTED BY DISTRIBUTORS EITHER, WITHOUT

INITIATING A WHOLE NEW PROCESS BY WHICH TIME PRICES WOULD UNDOUBTEDLY BE EVEN HIGHER. BOTH IDB AND GOES ARE "DISTRESSED" ABOUT THESE SURPRISE DECISIONS WHICH APPARENTLY AFFECT ALL UNSHIPPED ORDERS ON HAND AS OF AUGUST 2. THE GOES HAS OFFICIALLY ASKED EMBASSY TO CONFIRM THE DISTRIBUTORS' CLAIMS AND, IF VERIFIED, INQUIRE INTO THE POSSIBILITY OF MAINTAINING PRICES AGREED UPON IN CONTRACTS.

3. COMMENT: THESE ALLEGED ACTIONS WOULD NOT HELP POST'S TRADE PROMOTION EFFORTS NOR WOULD THEY FACILITATE PROCUREMENT UNDER INTERNATIONAL FINANCE AGENCIES. THEY WOULD ALSO DISCREDIT US SUPPLIERS VIS-A-VIS LOCAL BUSINESS COMMUNITY AND GOES.

4. WE WOULD APPRECIATE REPRESENTATIONS SEEKING A REVERSAL OF SUCH DECISIONS AND MAINTENANCE OF PRICES QUOTED FOR THE DECEMBER 1973 BID.

5. WE ARE AIR POUCHING THE MEMORANDUM RECEIVED FROM THE MINISTRY OF PUBLIC WORKS AND ONE OF THE SUPPLIER'S CABLES. CAMPBELL

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NNN

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